

**PT 01-59**

**Tax Type: Property Tax**

**Issue: Charitable Ownership/Use**

**STATE OF ILLINOIS  
DEPARTMENT OF REVENUE  
OFFICE OF ADMINISTRATIVE HEARINGS  
CHICAGO, ILLINOIS**

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**RUDOLF STEINER  
BRANCH OF THE  
ANTHROPOSOPHICAL  
SOCIETY OF CHICAGO**

**v.**

**ILLINOIS DEPARTMENT  
OF REVENUE**

**No. 00-PT-0010  
(98-16-1077)  
P.I.N: 14-18-313-003**

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**RECOMMENDATION FOR DISPOSITION**

**APPEARANCE:** Messrs. Donald Schramm and Glenn Guttman of Rieff, Schramm & Kanter on behalf of the (hereinafter the “applicant”).

**SYNOPSIS:** This proceeding raises the following issues: first, whether applicant qualifies as: (a) “religious society” whose property is subject to exemption under Section 15-40 of the Property Tax Code, 35 ILCS 200/1-1 *et seq.* (hereinafter the “Code”) if used for appropriate purposes; or; (b) a “school” within the meaning of Section 15-35 of the Code; or, (c) an “institution of public charity within the meaning of Section 15-65(a) of the Code; and, second, whether real estate identified by Cook County Parcel Index Number 14-18-313-003 (hereinafter the “subject property”) was used for the exempt purposes specified in Sections 15-35, 15-40 and/or 15-65 during any part of the 1998 assessment year. The underlying controversy arises as follows:

Applicant filed an Real Estate Tax Exemption Complaint with the Cook County Board of Review (hereinafter the "Board") on June 30, 1999. The Board reviewed applicant's complaint and recommended to the Illinois Department of Revenue (hereinafter the "Department") that the requested exemption be denied on grounds of insufficient evidence. The Department then issued its initial determination in this matter, which found that the subject property was not in exempt ownership and not in exempt use, on January 13, 2000. Applicant filed a timely appeal to this determination and later presented evidence at a formal evidentiary hearing. Following submission of all evidence and a careful review of the record, I recommend that the Department's determination be affirmed.

**FINDINGS OF FACT:**

A. Preliminary Considerations

1. The Department's jurisdiction over this matter and its position herein are established by the admission of Dept. Group Ex. No. 1, Docs. A, B and C.
2. The Department's position in this matter is that the subject property is not in exempt ownership and not in exempt use. Dept. Group Ex. No. 1, Doc. C.
3. The subject property is located at 4249 North Lincoln Avenue, Chicago, IL and improved with a two-story building. Dept. Group Ex. No. 1, Doc. B; Applicant Ex. No. 12.

B. Applicant's Organizational And Financial Structure

4. Applicant is an Illinois Not For Profit Corporation, duly incorporated under the General Not For Profit Corporation Act of Illinois on November 30, 1979. Applicant Ex. No. 4

5. Applicant's basic organizational purposes are, per its by-laws, to operate as "a part of the General Anthroposophical Society (hereinafter the "Society") whose center is at the Götheanum in Dornach, Switzerland, and the Anthroposophical Society in America." Applicant Ex. Nos. 4, 5.
6. The Society's overall objective is the betterment and renewal of all aspects of culture, including the arts, agriculture, education, medicine, psychology, and various sciences related thereto.<sup>1</sup> Tr. p. 23.
7. The Society's basic philosophies are based on the writings of Rudolf Steiner, an Austrian intellectual who lived in the mid-19<sup>th</sup> century. His prolific writings encompass a plethora of topics including human development, astronomy, medicine, renewing the performing and visual arts, mathematics, working with special needs children and integrating Eastern views of spirituality (i.e. karma and reincarnation) into Western views of humanity in the world. Tr. pp. 37-39.

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1. For a more detailed statement of the Society's philosophies, *see*, "The Statutes of the Anthroposophical Society," submitted as Applicant Ex. No. 13. These Statutes provide, *inter alia*, that: (A) The Society is to be an association of people whose will it is to nurture the life of the soul, both in the individual and in human society, on the basis of a true knowledge of the spiritual world; (B) The Society is founded on the convictions that: (i) there exists in our time a genuine science in the spiritual world, elaborated for years past in important particulars already published; (ii) the cultivation of such a science is lacking in civilization today; and, (iii) anthroposophy, as fostered at the Götheanum, leads to results that can serve as a spiritual life for every human being, whatever his or her nation, social standing or religion; and lead to a social life genuinely built on brotherly love; (C) The overriding purpose of the Society shall be to further spiritual research, which shall be primarily conducted at the School of Spiritual Science at the Götheanum; (D) The Society specifically rejects, and therefore does not take, dogmatic positions in any field whatsoever; (E) No special degree of academic learning is required to make these convictions one's own and found one's life upon them. Rather, one need only be of an "open-minded human nature[;]" (F) Research depends upon spiritual-scientific training, which is to be acquired step by step. These results are in their own way as exact as the results of genuine natural science. When the former attain general recognition in the same way as the latter, they will bring about comparable progress in all spheres of life, not only in the spiritual but in the practical realm; (G) The Society is in no sense a secret society, but is entirely public. Anyone can become a member, without regard to nationality, social standing, religion, or scientific or artistic conviction, who considers as justified the existence of an institution such as the Götheanum in Dornach, in its capacity as a school of spiritual science; and, (H) The Society rejects any kind of sectarian activity and does not consider party politics within its task. Applicant Ex. No. 13.

8. Applicant's by-laws provide, *inter alia*, that: (a) one becomes a member of its branch by making a request for membership and paying the required local dues; and, (b) membership in its branch "will be considered terminated if dues have not been paid for over two years and no desire has been expressed to remain with the Branch[.]" Applicant Ex. No. 5.
9. On August 20, 1980, the Department issued a determination in Docket No. 79-16-249. This determination awarded applicant an exemption from 1979 real estate taxes for that 80% of real estate identified by Cook County Parcel Number 14-33-112-005 which applicant used for its own purposes.<sup>2</sup> Administrative Notice.
10. Applicant is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code pursuant to a determination issued by the Internal Revenue Service in October of 1979. Applicant Ex. No. 2.
11. Applicant obtained revenue from the following sources, and incurred the following expenses, from January 1, 1998 through December 31, 1998:

SOURCE	AMOUNT	% of TOTAL <sup>3</sup>
<b>REVENUES</b>		
Dividend Income	\$ 1,457.75	3%
Dues	\$ 2,000.00	4%
Event Contributions	\$ 1,291.00	3%
Gift Income	\$ 10,320.00	22%
Investment Income <sup>4</sup>	\$ 31,453.20	67%

2. The exact basis for this exemption is unclear because the Department's records pertaining thereto have been destroyed due to their age.

3. All percentages shown herein are approximations derived by dividing the amounts shown in the relevant category by the total revenues or expenses shown on the relevant line of the fourth column. Thus,  $\$1,457.75/\$46,681.66 = .0312$  (rounded four places past the decimal) or 3%.

4. A member of applicant's board, Susan Stevenson, testified that this income is attributable to "the original bequest [of unspecified origin] and the subsequent sale of the original building." Tr. pp. 25-26.

Interest Income	\$ 139.71	<1%
Other Unspecified Income	\$ 20.00	<1%
<b>TOTAL REVENUES</b>	<b>\$ 46,681.66</b>	100%

<b>SOURCE (CONT'D.)</b>	<b>AMOUNT</b>	<b>% of TOTAL</b>
<b>EXPENSES</b>		
Accountancy	\$ 1,045.00	2%
Automobile	\$ 10.00	<1%
Bank Charge	\$ 81.82	<1%
Bank Charges	\$ 91.80	<1%
Board	\$ 144.40	<1%
Building	\$ 12,506.64	25%
Gifts	\$ 289.01	1%
House	\$ 1,813.80	4%
Library	\$ 995.26	2%
Miscellaneous	\$ 576.06	1%
Office & Administrative	\$ 2,116.72	4%
Program	\$ 7,601.92	15%
Rent	\$ 18,725.00	37%
RSF Medical Fees	\$ 1,528.31	3%
Utilities	\$ 528.25	1%
Wages	\$ 2,542.50	5%
Uncategorized Expenses	\$ 50,596.49	<1%
<b>Subtotal</b>	\$ 50,596.49	N/A
Less Deduction for Unspecified "Misc."	\$ - 171.42	<1%
<b>TOTAL EXPENSES</b>	\$ <b>50,425.07</b>	<b>100%</b>

*Id.*

C. Applicant's Programs

12. Applicant sponsors various study groups, symposia, lectures, dramatic presentations, forums, readings and other events devoted to the discussion, study and promulgation of Steiner's writings.<sup>5</sup> Applicant Ex. No. 10.

13. Some of applicant's events are open to the public. Others, such as certain study groups and forums, are limited to members.

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5. For further information about the content and scope of applicant's programs, *see*, Applicant Ex. No. 10.

D. Applicant's Ownership and Use of the Subject Property

14. Applicant acquired ownership of the subject property via a warranty deed dated October 29, 1998. Applicant Ex. No. 3.

15. The subject property is improved with a two story building that contains various study, meeting and reading rooms as well as a theater, an office, restrooms, storage facilities and a library.<sup>6</sup> Applicant Ex. No. 12.

16. The library contains approximately 3,000 volumes, most of which are the works of Steiner and related authors. It is regularly open to the public on Wednesdays and Sundays. It is also accessible before lectures or workshops and at other times by appointment. Applicant Ex. No. 10; Tr. pp. 32, 35, 40.

17. Anyone can take out books from the library so long as they fill out an application that gives their address and phone number. Applicant requires this information for the limited purpose of allowing its representatives to contact anyone who does not return whatever books they check out. Tr. p. 32.

18. Applicant held various study groups, lectures, dramatic presentations and other Society-related activities at the subject property following the date of purchase. Tr. pp. 30-32, 34-35.

**CONCLUSIONS OF LAW:**

An examination of the record establishes that this applicant has not demonstrated by the presentation of testimony or through exhibits or argument, evidence sufficient to warrant exempting the subject property from real estate taxes for any part of the 1998 assessment year. Accordingly, under the reasoning given below, the determination by

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6. For a floor plan, *see*, Applicant Ex. No.12.

the Department that the subject property does not qualify for such exemption under 35 ILCS 200/15-35, 40 and/or 35 ILCS 200/15-65 should be affirmed. In support thereof, I make the following conclusions:

A. Constitutional and Statutory Considerations

Article IX, Section 6 of the Illinois Constitution of 1970 provides as follows:

The General Assembly by law may exempt from taxation only the property of the State, units of local government and school districts and property used exclusively for agricultural and horticultural societies, and for school, religious, cemetery and charitable purposes.

In furtherance of its Constitutional mandate, the General Assembly enacted the Property Tax Code, 35 ILCS 200/1-1 *et seq* (hereinafter the “Code”). The provisions of that statute which govern disposition of the present matter are contained in Sections 15-35, 15-40 and 15-65 of the Code, which, in relevant part, provide for the exemption of:

**200/15-35. Schools**

§ 15-35. All property donated by the United States for school<sup>7</sup> purposes, and all property of schools, not sold or leased or otherwise used with a view to profit, is exempt, whether owned by a resident or non-resident of this State or by a corporation incorporated in any State of the United States. Also exempt is:

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(b) property of schools on which the schools are located and any other property of schools used by the schools exclusively for school purposes, including, but not limited to, student residence halls, dormitories and other housing facilities, and school owned and operated dormitory or

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7. The legal definition of the term “school” is, for property tax purposes, as follows:

A school, within the meaning of the Constitutional provision, is a place where systematic instruction in useful branches is given by methods common to schools and institutions of learning, which would make the place a school in the common acceptance [sic] of the word.

People v. Trustees of Schools, 364 Ill. 131 (1936); People ex rel Brenza v. Turnverein Lincoln, 8 Ill.2d 188 (1956).



residence halls occupied in whole or in part by students who belong to fraternities, sororities or other campus organizations.

35 ILCS 200/15-35.

**200/15-40. Religious purposes, orphanages, or school and religious purposes**

All property used exclusively for religious purposes, or used exclusively for school and religious purposes, or for orphanages and not leased or otherwise use with a view to a profit ...[.]

35 ILCS 200/15-40.

**200/15-65. Charitable Purposes**

§ 15-65. All property of the following is exempt when actually and exclusively used for charitable or beneficent purposes, and not leased or otherwise used with a view to profit:

(a) institutions of public charity.

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(e) all free public libraries

35 ILCS 200/15-65(a), (e).

**B. The Burden of Proof and Other Introductory Considerations**

Property tax exemptions are inherently injurious to public funds because they impose lost revenue costs on taxing bodies and the overall tax base. In order to minimize the harmful effects of such lost revenue costs, and thereby preserve the Constitutional and statutory limitations that protect the tax base, statutes conferring property tax exemptions are to be strictly construed in favor of taxation. People Ex Rel. Nordland v. the Association of the Winnebago Home for the Aged, 40 Ill.2d 91 (1968); Gas Research Institute v. Department of Revenue, 154 Ill. App.3d 430 (1st Dist. 1987). Furthermore, applicant bears the burden of proving by clear and convincing evidence that the property

it is seeking to exempt falls within the appropriate statutory exemption. Immanuel Evangelical Lutheran Church of Springfield v. Department of Revenue, 267 Ill. App.3d 678 (4th Dist. 1994). Therefore, any and all doubts that arise in an exemption proceeding, whether they be attributable to evidentiary deficiencies, debatable factual interpretations or questions of statutory construction, must be resolved in favor of taxation. People Ex Rel. Nordland v. the Association of the Winnebago Home for the Aged, *supra*; Gas Research Institute v. Department of Revenue, *supra*.

Due to their detrimental effect on public treasuries, the economic benefits of property tax exemptions should only be afforded only to those entities which either: (1) primarily serve the public interest and welfare; or, (2) remove financial or other burdens from the State. DuPage County Board of Review v. Joint Comm'n on Accreditation of Healthcare Organizations, 274 Ill. App. 3d 461, 466 (2<sup>nd</sup> Dist. 1995); Washington Ethical Society v. District of Columbia, 249 F.2d 127, 129. (1957). Therefore, it stands to reason that entities which provide community service or other public benefits, but only as incidental byproducts of serving relatively narrower constituencies, ought not receive these benefits. Rogers Park Post No. 108 v. Brenza, 8 Ill.2d 286 (1956); Morton Temple Association v. Department of Revenue, 158 Ill. App. 3d 794, 796 (3<sup>rd</sup> Dist. 1987).

The threshold debatable question at issue herein is whether applicant qualifies as an exempt entity for purposes of Sections 15-35, 40, 15-65(a) and/or 15-65(e) of the Property Tax Code. The starting point for that analysis is to consider the provisions of applicant's organizational documents. Morton Temple Association v. Department of Revenue, 158 Ill. App. 3d 794, 796 (3<sup>rd</sup> Dist. 1987). Said documents recite, in relevant part, that: (1) applicant's primary purpose is "educational[;]" (2) applicant is to function

as a branch of the General Anthroposophical Society; (3) one must pay membership dues in order to become a member of applicant's branch; and, (4) membership can be terminated for non-payment of dues in certain cases. (Applicant Ex. No. 5).

The mere fact that applicant's governing documents contain language evidencing its intention to engage in educational or other exempt activity does not, *ipso facto*, establish that applicant qualifies as an exempt entity. Morton Temple Association, *supra*, at 796. Hence, the recital indicating that applicant's primary purpose is "educational" lacks decisive impact herein. What is decisive, however, is the extent to which applicant's activities as reflected in its actual operations are consistent with the intentions enunciated in its charter. *Id.*

The Calendar of Events (Applicant Ex. No. 10), which sets forth applicant's typical programs, indicates that applicant sponsors and conducts various lectures, study groups, symposia, workshops and other events devoted to the study of Steiner's writings. Thus, it is clear that applicant's primary function is to facilitate the study of one particular author. Its operations, therefore, are inherently geared toward serving the interests of a comparatively narrow group of persons, that being those who wish to engage in the study of Steiner's writings on a regular basis. Hence, whatever public benefits applicant provides by making some of its lectures and other programming available to the public at large are but incidental derivatives of its otherwise non-exempt functions as a narrowly focused study group.

Furthermore, the record fails to disclose what, if any, financial or other burden applicant's programs remove from the State. Absent evidence that applicant's programs provide such relief, the economic rationale articulated in DuPage County Board of

Review v. Joint Comm'n on Accreditation of Healthcare Organizations, *supra*, and Washington Ethical Society v. District of Columbia, *supra*, disfavors granting this applicant exempt status.

C. The Charitable Exemption

(1) Institutions of Public Charity - 35 **ILCS** 200/15-65(a)

The statutory requirements for exemption under Section 15-65 are: (1) exempt ownership, which means that the property in question must be owned by a duly qualified “institution of public charity” (Methodist Old People's Home v. Korzen, 39 Ill.2d 149, 156, 157 (1968)); and, (2) exempt use, which means that the property must be exclusively or primarily used for the purposes that qualify as “charitable” within the meaning of Illinois law. Methodist Old People's Home, *supra*; Morton Temple Association, 158 Ill. App. 3d 794, 796 (3<sup>rd</sup> Dist. 1987); Albion Ruritan Club v. Department of Revenue, 209 Ill. App. 3d 914 (5<sup>th</sup> Dist. 1991).

By definition, charitable institutions operate to benefit an indefinite number of people in a manner that persuades them to an educational or religious conviction that benefits their general welfare or otherwise reduce the burdens of government. Crerar v. Williams, 145 Ill. 625 (1893). They also: (1) have no capital stock or shareholders; (2) earn no profits or dividends, but rather, derive their funds mainly from public and private charity and holds such funds in trust for the objects and purposes expressed in its charter; (3) dispense charity to all who need and apply for it; (4) do not provide gain or profit in a private sense to any person connected with it; and, (5) do not appear to place obstacles of any character in the way of those who need and would avail themselves of the charitable benefits it dispenses. Methodist Old People's Home v. Korzen, *supra*.

The Korzen factors are not to be applied in a mechanical or technical fashion. DuPage County Board of Review v. Joint Comm'n on Accreditation of Healthcare Organizations, *supra*. Nevertheless, I have already demonstrated that this applicant fails to qualify as an “institution of public charity” because it operates primarily for the benefit of its own members. In this sense, applicant is no different from other non-exempt fraternal or social organizations. Rogers Park Post No. 108 v. Brenza, 8 Ill.2d 286 (1956); Morton Temple Association, *supra*; Albion Ruritan Club v. Department of Revenue, 209 Ill. App. 3d 914 (5<sup>th</sup> Dist. 1991); Pontiac Lodge No. 294 A.F. and A.M. v. Department of Revenue, 243 Ill. App. 3d 186 (4<sup>th</sup> Dist. 1993).

Further, the provisions of applicant’s by-laws which state that membership “will be considered terminated” if dues are not paid within a prescribed time limit are tantamount to a penalty for non-payment which “lacks the warmth and spontaneity indicative of charitable impulse.” Korzen, *supra* at 158. Moreover, applicant’s by-laws and other organizational documents are completely devoid of any language that manifests applicant’s willingness to accommodate those who are unable to pay. Small v. Pangle, 60 Ill.2d 510, 518 (1975).

The financial statements (Applicant Ex. No. 8) fail to reveal what, if any, costs applicant incurs in providing assistance to those who cannot pay. Nor does any of the remaining documentary evidence divulge even the slightest information about whether, or to what extent, applicant provided such assistance.

At least one court has found the absence of such information to be inconsistent with dispensation of charity. Highland Park Hospital v. Department of Revenue, 155 Ill. App.3d 272, 280-281 (2d Dist. 1987). Another has found that maintaining an aggressive

community outreach program for the economically disadvantaged can, in some circumstances, constitute an acceptable substitute for such information. Randolph Street Gallery v. Department of Revenue, 315 Ill. App.3d 1060 (1<sup>st</sup> Dist. 2000).

A member of applicant's governing board, Susan Stevenson, testified that applicant does make such accommodations. (Tr. pp. 26-27). However, her testimony is inconsistent with the provisions of applicant's organizational documents discussed above. Further, this record fails to establish that this applicant maintains any type of outreach program for the economically disadvantaged.

Nor does the record contain any documentary evidence informing the public that applicant is willing to accommodate those who cannot pay. These considerations, coupled with the provisions of applicant's by-laws that expressly condition membership on payment of dues, provide further evidence that applicant operates primarily as a narrowly focused study group which benefits its dues-paying membership. Because such operations are incompatible with those of an "institution of public charity," the Department's finding that the subject property is not in exempt ownership should be affirmed.

(2) The Free Public Libraries Exemption – 35 **ILCS** 200/15-65(e)

The statutory requirements for exemption under Section 15-65(e) are, per the plain meaning of the statute, that: (1) the property in question be owned by a "free public library[;]" and, (b) said property be "exclusively" or primarily used for "charitable" purposes. 35 **ILCS** 200/15-65(e). Nothing in this applicant's organizational documents suggests that it is organized for purposes of operating a free public library. Indeed, because applicant is in essence, a study group, the library it operates at the subject property probably is not "public" in the sense that the materials contained therein, which

consist almost entirely of Steiner's writings and other resources related thereto, doubtlessly receive greater utilization from applicant's dues-paying membership than the general public.

In addition, the floor plan (Applicant Ex. No. 6) reveals that the library occupies but one room in a building primarily used for symposia, lectures and other intellectual activities that cater to the interests of the relatively limited class of persons who belong to applicant's narrowly focused study group. Accordingly, it does not appear that the subject property qualifies as the type "free public library" contemplated by Section 15-65(e).

It also bears emphasizing that the exempt use requirement contained in the first paragraph of Section 15-65 applies without exception to each and every subsection thereof, including Sections 15-65(a) and 15-65(e).<sup>8</sup> Thus, properties are not subject to exemption under those subsections unless they are "exclusively" or primarily used for charitable purposes. Morton Temple Association, 158 Ill. App. 3d 794, 796 (3<sup>rd</sup> Dist. 1987); Albion Ruritan Club v. Department of Revenue, 209 Ill. App. 3d 914 (5<sup>th</sup> Dist. 1991).

The subject property was primarily used as the locus for a series of activities that furthered the interests of the comparatively narrow class of persons who wished to study Steiner's writings on a regular basis. Consequently, any "charitable" uses which applicant effectuated by opening some of its programs to the general public, or allowing the public to access its library on Wednesdays and Sundays, were incidental at best.

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8. The first paragraph of Section 15-65, applicable to all subsections promulgated thereunder, states in pertinent part that "all property *of the following* is exempt *when actually and exclusively used for charitable or beneficent purposes ...[.]*" 35 ILCS 200/15-65. (emphasis added).

Incidental “charitable” uses are legally insufficient to satisfy the statutory exempt use requirement. Rogers Park Post No. 108, *supra*; Morton Temple Association, *supra*; Albion Ruritan Club v. Department of Revenue, *supra*. Furthermore, the record does not contain any evidence indicating whether or by what means applicant informs the public that it may obtain access to the library on Wednesdays and Sundays. Absent this evidence, I fail to see how the public could avail themselves of such access. Cf. Highland Park Hospital v. Department of Revenue, 155 Ill. App.3d 272, 280-281 (2d Dist. 1987). For this and all the aforementioned reasons, that portion of the Department’s determination which found that the subject property was not “exclusively” used for charitable or beneficent purposes” within the meaning of 35 **ILCS** 200/15-65 should be affirmed.

D. The School Exemption – 35 **ILCS** 200/15-35.

A party seeking exemption under Section 15-35 must prove that it provides a course of study that: (1) fits into the general scheme of education required by the State and supported by public taxation; and, (2) substantially lessens what would otherwise be a governmental function and obligation. Chicago & Northeast Illinois District Council of Carpenters v. Illinois Department of Revenue, 293 Ill. App.3d 600 (1<sup>st</sup> Dist. 1997), *leave to appeal denied*, April 1, 1998 (hereinafter “Carpenters”); Coyne Electrical School v. Paschen, 12 Ill.2d 387 (1957) (hereinafter “Coyne”); Board of Certified Safety Professionals of the Americas v. Johnson, 112 Ill. 2d 542 (1986); Winona School of Professional Photography v. Department of Revenue, 211 Ill. App.3d 565 (1st Dist. 1991) (hereinafter “Winona”).



Factors to be considered in ascertaining whether applicant satisfies these criteria include, *inter alia*, whether applicant offers a course of study in traditional subjects such as math, rhetoric, language, science or history that the state would otherwise be obligated to offer in tax supported public schools. Coyne, *supra* at 392; Carpenters, *supra* at 608, 611; Winona, *supra* at 570. Applicant submitted no evidence establishing, and my research fails to disclose, that the State of Illinois is obligated to offer a course of study in Steiner's writings. Consequently, whatever course of study applicant offers neither "fits into the general scheme of education required by the State" nor "substantially lessens what would otherwise be a governmental function and obligation." Therefore, that portion of the Department's determination which found that the subject property does not qualify for exemption under Section 15-35 of the Property Tax Code should be affirmed.

E. The Religious Purposes Exemption – 35 ILCS 200/15-40

The "religious purposes" contemplated by Section 15-40 are those engaged in by a "religious society or persons as a stated place for public worship, Sunday schools and religious instruction." People ex rel. McCullough v. Deutsche Evangelisch Lutherisch Jehova Gemeinde Ungeanderter Augsburgischer Confession, 249 Ill. 132, 136-137 (1911).

Due to First Amendment difficulties inherent in all cases wherein religious societies are a party in interest, courts have generally eschewed imposing rigid definitional standards for what constitutes such societies or other "religious" practices. *See generally*, United States v. Ballard, 322 U.S. 78 (1944); United States v. Seeger, 380

U.S. 163 (1965); Hernandez v. Commissioner of Internal Revenue, 490 U.S. 680 (1989).<sup>9</sup>

Nonetheless, courts have identified some objective characteristics common to all religious societies. Among these are that such societies: (1) possess a leadership structure wherein licensed or ordained clergypersons or other qualified leaders possess legal authority to perform namings, marriages, burials or other ceremonies marking life-cycle events; (2) hold regularly scheduled services or other organized assemblies to mark life cycle events and/or practice the tenets of their faith; and (3) maintain some type of a formalized structure that provides instruction or other education in those tenets for youth. Founding Church of Scientology of Washington D.C. v. United States 409 F.2d 1146 (1969); Washington Ethical Society v. District of Columbia, 249 F.2d 127 (1957).

This record contains little, if any, evidence concerning these criteria. Without such evidence, applicant, which bears the burden of proof in all exemption matters (Immanuel Evangelical Lutheran Church of Springfield v. Department of Revenue, 267 Ill. App.3d 678 (4th Dist. 1994)), has failed to prove that it qualifies as a “religious society.” Moreover, convictions that are “political, social or philosophical in nature” do not fall within the scope of “religious” beliefs protected by the First Amendment. Seeger, *supra* at 178.<sup>10</sup>

The documentary and testimonial evidence this applicant offered at hearing fails to clearly and convincingly establish that its beliefs are not merely philosophical in

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9. See also, Founding Church of Scientology of Washington, D.C. v. United States, 409 F.2d 1146 (1969); Van Schaik v. Church of Scientology of California, 535 F. Supp. 1125 (1982); Church of Scientology of California v. Commissioner of Internal Revenue, 823 F.2d 1310 (1987), *cert. denied* 486 U.S. 1015 (1998); Living Faith, Inc. v. Commissioner of Internal Revenue, 950 F.2d 365 (1991).

10. See also, Thomas v. Review Board of the Indiana Employment Security Division, 450 U.S. 707, 713 (1981), in which the United States Supreme Court specifically stated that “*only* beliefs rooted in religion are protected by the Free Exercise Clause, which, by its terms, gives special protection to the exercise of religion.” 450 U.S. at 713. (emphasis added).

nature. While I am Constitutionally barred from examining the “truth or verity” of those beliefs (Ballard, *supra* at 86), I am unable to discern how application of scientific methodologies to nebulous concepts of improving culture provides the type of moral or spiritual guidance that typifies most “religious” beliefs. Rather, such application appears more attuned to secular philosophical pursuits. Thus, applicant is more aptly characterized as a secular literary study group than a “religious society.” Therefore, the religious purposes exemption set forth in Section 15-40 is inapplicable herein.

F. Final Considerations and Summary

The fact that applicant received a property tax exemption for 1979 real estate taxes on another property does not alter any of the preceding conclusions, for it is well established that each tax year constitutes a separate cause of action for exemption purposes. People ex rel. Tomlin v. Illinois State Bar Ass'n, 89 Ill. App.3d 1005, 1013 (4<sup>th</sup> Dist. 1980). Because this holds true even if ownership and use remain unchanged, applicant may be required to relitigate its entitlement to a property tax exemption on an annual basis. *Id.*; Jackson Park Yacht Club v. Department of Local Government Affairs, 93 Ill. App.3d 542 (1st Dist. 1981); Fairview Haven v. Department of Revenue, 153 Ill. App.3d 763 (4<sup>th</sup> Dist. 1987). Therefore, the 1979 property tax exemption, which the Department granted in Docket No. 79-16-249, is of no legal significance herein.

The same may be said of applicant’s exemption from federal income tax. This exemption proves that applicant qualifies as an exempt entity for purposes of Section 501(c)(3) of the Internal Revenue Code. However, Section 501(c)(3) does not preempt any of the exemption provisions discussed above. Moreover, the Section 501(c)(3) exemption does not establish that the subject property was actually used for exempt

purposes during the tax year in currently in question. In re Application of Clark v. Marion Park, Inc., 80 Ill. App. 3d 1010, 1012-13 (2<sup>nd</sup> Dist. 1980), citing People ex rel. County Collector v. Hopedale Medical Foundation, 46 Ill.2d 450 (1970). Therefore, said exemption does not constitute a legally sufficient basis for altering any of the conclusions stated above.

In summary, the subject property does not qualify for exemption from 1998 real estate taxes under Sections 15-35, 15-40, 15-65(a) and/or 15-65(e) of the Property Tax Code, 35 ILCS 200/1-1, *et seq*, because applicant, a secularly oriented and narrowly focused literary study group, operates primarily for the benefit of that comparatively limited group of persons who pay membership dues in order to study Steiner's writings on a regular basis. Consequently, applicant does not qualify as any of the entities described in Sections 15-35, 15-40, 15-65(a) and/or 15-65(e). Furthermore, the evidence adduced at hearing fails to establish how or why applicant's programs lessen what otherwise would be a financial, educational or other burden on the State. Absent evidence that applicant's programs provide such relief, the subject property does not qualify for the benefit of exempt status. Therefore, the Department's initial determination in this matter should be affirmed.

WHEREFORE, for all the aforementioned reasons, it is my recommendation that real estate identified by Cook County Parcel Index Number 14-18-313-003 not be exempt from 1998 real estate taxes under Sections 15-35, 15-40, 15-65(a) and/or 15-65(e) of the Property Tax Code, 35 **ILCS** 200/1-1, *et seq.*

October 30, 2001

Date

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Alan I. Marcus  
Administrative Law Judge